

Watch Out For These Scams!



You might be surprised—servicemembers and their families are prime targets for financial fraud! Protect yourself and your family—many unethical people want your money! Servicemembers receive steady paychecks and deployment bonuses, frequently relocate, and may be financially inexperienced. As a result, servicemembers are targeted for inappropriate financial products and investments and a wide variety of fraudulent activities. These include predatory lending (which means providing credit on terms that are opportunistic, deceitful, fraudulent, or unfair), unsuitable insurance policies with little or no death benefits, and various financial scams. Family members at home are also vulnerable, especially while servicemembers are deployed.

AFFINITY MARKETING and AFFINITY FRAUD

Affinity marketing uses trust and friendship among people who share similar religious beliefs, ethnic background, military service, or other characteristics. For example, veterans are sometimes hired as salespeople specifically to gain the trust of servicemembers. Don't automatically trust a salesperson because he/she has a military background or advertises in military newspapers or magazines. Don't automatically trust a company because it uses patriotic symbols or has a military-sounding name.

Affinity fraud occurs when unethical people take advantage of trust among peer group members. Once one member of a group is convinced to invest personally in a service or product, other members of the group become more easily convinced. As word spreads, an "insider" sense of urgency and momentum develops. Other group members become convinced that the product or investment is legitimate and worthwhile, and invest without hesitation, making the entire group vulnerable to the same scam.

Be cautious—the products and services offered may be unsuitable, or worse, fraudulent.

BAIT AND SWITCH SCHEMES

Verify that paperwork matches promises. Unethical salespeople may try to switch interest rates, terms and conditions, or change other financial details. They may also try to persuade you to buy financial products or investments that are entirely different from the ones you thought you were purchasing.

CHARITY SCAMS

Verify that a charity is legitimate by contacting the Internal Revenue Service (see page 8).

COMMODITIES / FOREIGN CURRENCY / OIL and GAS SCAMS / PONZI and PYRAMID SCHEMES

Be wary of any promises of quick profits, low risks, official-sounding but vaguely described businesses, or "unique" investments. Scamsters might offer precious metals, foreign currency, and oil/gas ventures, claiming they have made profits for all of their investors. These are very risky (and some are illegal), and your entire investment can be lost quickly. Also, be wary of Ponzi or Pyramid scams, which offer promises of high returns to entice new investors, but use new money to pay previous investors. This gives the appearance of a successful investment, but Ponzi or Pyramid schemes always eventually collapse—leaving most of the participants with a financial loss.

"INTRODUCTORY" SEMINARS and "FREE" MEALS

Servicemembers and their families are often invited to attend "introductory" seminars or receive "free" meals to hear about a variety of financial products and services including investments, financial planning, insurance, real estate, and wills and living trusts. Under California law, many seminar presenters must be licensed by the California Department of Corporations (or other State agencies). Ask the presenter to complete the **"Check Before You Invest"** form (see page 5) and then call the California Department of Corporations to verify both the presenter and his/her company are licensed and authorized to sell/offer the specific type of product. If a presenter refuses, DO NOT conduct business with that person. Some seminars are actually a ploy to gain access to your personal or financial information, so don't disclose your private information until you are confident of the legitimacy of the product or service. In addition, seminar presenters, often veterans, may fail to disclose their fees and commissions, making it difficult to compare products and services.

LIFE INSURANCE PRODUCTS and ANNUITIES

Some life insurance products, while legitimate, may be unsuitable for servicemembers and their families.

Servicemembers already receive low-cost, government-sponsored life insurance as a service benefit. Unfortunately, agents (sometimes veterans themselves) may steer servicemembers into higher-cost policies that may provide fewer benefits than those included in government policies. These higher-cost policies frequently benefit the agents, because they receive front-loaded commissions (meaning that the agent receives their full commission from the first year's premiums). Also, some investments or savings products are really insurance products in disguise.

In order to maintain a policy, scheduled payments must be made over many years (usually 20) to achieve cost-effective results. Unfortunately, servicemembers often let these policies lapse, because they move frequently and may miss important payment notices, leave the armed services, or fail to maintain scheduled payments. These factors make these products inappropriate for most servicemembers. Ask agents to complete the **"Check Before You Invest"** form (see page 5). Then contact the California Department of Insurance to verify California agents and the status of the company they represent.

MORTGAGE and FORECLOSURE FRAUD

Predatory mortgage practices usually target borrowers with weak or blemished credit. Practices include pressuring consumers into loan agreements they cannot afford, or convincing consumers to sign loan agreements without reading them. Fraud may also include hidden or excessive interest, fees, prepayment penalties, balloon payments, bait and switch tactics, repeat offers to refinance, or other inappropriate practices. Before you sign loan documents, read the fine print, verify the legitimacy of the salesperson and company (utilize the **"Check Before You Invest"** form on page 5), and report suspicions to the appropriate licensing agency.

Don't sign the deed to your property away. If you need financial or legal assistance or are facing foreclosure, immediately contact your base financial counselors. They can help you investigate payment options. Foreclosure fraud can occur when homeowners are tricked into believing they can save their home by transferring the deed to a third party, who promises to pay the up-front costs and sell the

house back to the original owners when they can afford it. The third party profits by re-mortgaging the property, and sometimes then allows the property to go into default a second time. As a result, the original owners lose everything.

ONLINE PURCHASES and ONLINE ESCROW FRAUD

Be cautious with online purchases—there are many ways for scamsters to take your money—such as phony auctions, phony online escrow companies, or phantom merchandise. Don't give personal or financial information over the web (or phone), unless it's via a secure site and **you** initiated the contact. Also, use your credit card to make online purchases—this provides better consumer protection than cashier's checks, debit cards, or checks which draw cash directly from your account.

"PHISHING" and "VISHING"

Scamsters commonly create authentic-looking but phony e-mails, text messages, log-in pages (such as for e-mail or bank accounts), printed letters, etc. Or you might receive voicemail messages that sound exactly like a legitimate message. Beware—these tactics try to entice you to disclose personal or financial information such as your account numbers, passwords, or PIN numbers. If **you** did not initiate the contact, DO NOT provide any personal information via e-mail, by mail, or by telephone! If the contact appears to be legitimate, verify the company's customer service number and call; do not respond directly to the e-mail or use the phone number listed in the e-mail or voicemail, which may be bogus.

SWEEPSTAKES or LOTTERY WINNERS and FOREIGN LETTER FRAUD

Don't respond to calls, e-mails, or letters proclaiming that you just won a sweepstakes or lottery, even though you never bought a ticket! Scamsters frequently request that you transfer funds, send a cashier's check to pay taxes or legal fees, or submit bank information before winnings can be paid. NOTE: It is ILLEGAL for legitimate sweepstakes or lotteries to require funds (other than ticket purchase) before paying winnings. Other common ploys involve appeals from strangers pretending to be a deployed servicemember, foreign government "official" or a "widow," asking for your immediate help to move money "out of the country." Watch out! These are scams to take your cash or to gain access to your personal account information.